now is Hydra Exploration Ltd.

BRUNHURST MINES LIMITED

Suite 1600, 100 Adelaide Street West
TORONTO 1, ONTARIO

August 19, 1959

To the Shareholders:

Enclosed is a Notice calling a meeting of Shareholders to be held at the Royal York Hotel, Toronto, Ontario, on September 10, 1959.

At the meeting, Shareholders will be asked to consider an amalgamation of your Company with ten other companies whose names appear below.

The Directors have given careful consideration to the future prospects of your Company and have concluded that the proposed amalgamation is in the best interests of the Shareholders for the following reasons:

1. — The amalgamation results in a solidly based company in sound financial condition with extensive claim holdings and interests.
2. — Each company in the amalgamation is contributing assets similar in nature and consolidation of such assets presents obvious advantages.
3. — The amalgamation will facilitate the revival of activity on a scale much larger than if attempted by each amalgamating company individually.
4. — Greater administrative efficiency at a lower cost.

An agreement has therefore been reached which, if approved by Shareholders of your Company and by Shareholders of the other companies involved, would permit the merger of Brunhurst Mines Limited into a company to be called Hydra Explorations Limited. Shareholders of Brunhurst Mines Limited would receive one share of Hydra Explorations Limited for every 25 shares held in Brunhurst Mines Limited.

Names of the companies that are parties to the amalgamation agreement, together with the basis on which their shares will be exchanged for shares of Hydra Explorations Limited, are as follows:

Aubelle Mines Ltd.	1 share of Hydra for 25 Aubelle
Aumaque Gold Mines Ltd.	1 share of Hydra for 10 Aumaque
Avillabona Mines Ltd.	1 share of Hydra for 25 Avillabona
Bonville Gold Mines Ltd.	1 share of Hydra for 25 Bonville
Brunhurst Mines Ltd.	1 share of Hydra for 25 Brunhurst
Brunsman Mines Ltd.	1 share of Hydra for 25 Brunsman
Colomac Yellowknife Mines Ltd.	1 share of Hydra for 25 Colomac

Granden Gold Mine Ltd.	2 shares of Hydra for 13 Granden
Heva Mines Ltd.	1 share of Hydra for 25 Heva
Indian Lake Mines Ltd.	1 share of Hydra for 20 Indian
Parbec Mines Ltd.	1 share of Hydra for 25 Parbec

A Pro Forma Balance Sheet giving effect to the proposed amalgamation is enclosed along with a balance sheet of your Company, both as at June 30, 1959.

A copy of the Amalgamation Agreement is also enclosed. It sets out in detail the number of issued and unissued shares to be cancelled by each amalgamating company and the total number of Hydra shares to be issued to shareholders of these companies. Following the amalgamation, Hydra Explorations Limited would have issued a total of 2,822,535 shares of its 5,000,000-share authorized capital stock. The shares of the new company will be called for trading on The Toronto Stock Exchange and the Canadian Stock Exchange when the Amalgamation Agreement has been approved by all the parties thereto and a filing statement reflecting such approval has been accepted for filing by the respective Exchanges.

The Directors believe Shareholders will appreciate the advantages to be gained from approving the agreement and of subsequently becoming shareholders in Hydra Explorations Limited.

You are therefore requested to execute the enclosed Proxy, if you will not be able to attend the meeting in person, and to return it to the Secretary of your Company, Suite 1600, 100 Adelaide Street West, Toronto 1, Ontario, at your earliest convenience so that your vote on this important matter may be recorded at the meeting.

On Behalf of the Board,

A. W. JOHNSTON,
President

BRUNHURST MINES LIMITED

Incorporated under the Laws of Ontario

BALANCE SHEET as at June 30, 1959

ASSETS

Cash		$ 94.57
Account Receivable from Other Mining Company		209.99
Advances to Other Mining Companies		25,937.25
Investments in Other Mining Companies:		
Listed at quoted market value	$36,750.00	
Unlisted at quoted market value	4,400.00	
Unlisted, written down to	1.00	41,151.00
Mining Properties		492,792.99
Preproduction Expenditures		1,300,970.68
		$ 1,861,156.48

LIABILITIES

Accounts Payable		$ 4,287.50
Capital Stock:		
Authorized: 7,500,000 shares of $1.00 par value each		
Issued: 5,718,856 shares	$ 5,718,856.00	
Less: Discount thereon	3,352,578.00	
	$ 2,366,278.00	
Less: Deficit	509,409.02	1,856,868.98
		$ 1,861,156.48

Approved on Behalf of the Board:

Wm. McKEE, Director.

L. E. WETMORE, Director.

July 27, 1959.

AGREEMENT

THIS AGREEMENT made this 10th day of August, 1959

BETWEEN:

AUBELLE MINES LIMITED, a company incorporated under the laws of the Province of Ontario by Letters Patent dated the 9th day of May 1944, and having its head office in the City of Toronto in the County of York.

hereinafter called "AUBELLE" of the first part

AUMAQUE GOLD MINES LIMITED, a company incorporated under the laws of he Province of Ontario by Letters Patent dated the 29th day of September 1943, and having its head office in the City of Toronto in the County of York.

hereinafter called "AUMAQUE" of the second part

AVILLABONA MINES LIMITED, a company incorporated under the laws of the Province of Ontario under the name of "Villbona Mines Limited" by Letters Patent dated the 21st day of March 1945, and having its head office in the City of Toronto in the County of York.

hereinafter called "AVILLABONA" of the third part

BONVILLE GOLD MINES LIMITED, a company incorporated under the laws of the Province of Ontario by Letters Patent dated the 25th day of February 1945, and having its head office in the City of Toronto in the County of York.

hereinafter called "BONVILLE" of the fourth part

BRUNHURST MINES LIMITED, a company incorporated under the laws of the Province of Ontario under the name of "Porcupine Peninsular Gold Mines Limited" by Letters Patent dated the 25th day of July 1921, and having its head office in the City of Toronto in the County of York.

hereinafter called "BRUNHURST" of the fifth part

BRUNSMAN MINES LIMITED, a company incorporated under the laws of the Province of Ontario under the name of "Norseman Mines Limited" by Letters Patent dated the 22nd day of April 1943, and having its head office in the City of Toronto in the County of York.

hereinafter called "BRUNSMAN" of the sixth part

COLOMAC YELLOWKNIFE MINES LIMITED, a company incorporated under the laws of the Province of Ontario by Letters Patent dated the 25th day of July 1945, and having its head office in the City of Toronto in the County of York.

hereinafter called "COLOMAC" of the seventh part

GRANDEN GOLD MINE LIMITED, a company incorporated under the laws of the Province of Ontario by Letters Patent dated the 6th day of March 1946, and having its head office in the City of Toronto in the County of York.

hereinafter called "GRANDEN" of the eighth part

HEVA MINES LIMITED, a company incorporated under the laws of the Province of Ontario under the name "Heva Cadillac Gold Mines Limited" by Letters Patent dated the 15th day of September 1936, and having its head office in the City of Toronto in the County of York.

hereinafter called "HEVA" of the ninth part

INDIAN LAKE MINES LIMITED, a company incorporated under the laws of the Province of Ontario as "Indian Lake Gold Mines Limited" by Letters Patent dated the 1st day of March 1945, and having its head office in the City of Toronto in the County of York.

hereinafter called "INDIAN LAKE" of the tenth part

and

PARBEC MINES LIMITED, a company incorporated under the laws of the Province of Ontario as "Parbec Malartic Gold Mines Limited" by Letters Patent dated the 23rd day of June 1944, and having its head office in the City of Toronto in the County of York.

hereinafter called "PARBEC" of the eleventh part.

WHEREAS all of the parties hereto were duly incorporated under the laws of the Province of Ontario and are subject to Part IV of The Corporations Act, Ontario, 1953, and have an authorized and issued capital as set out in Column (1) of the Schedule "A" hereto;

AND WHEREAS all of the parties hereto have the same or similar objects;

AND WHEREAS all of the parties hereto acting under the authority contained in The Corporations Act, Ontario, 1953, have agreed to amalgamate upon the terms and conditions hereinafter set out;

AND WHEREAS disclosure has been made by each party to the others of its assets and liabilities contingent or otherwise;

AND WHEREAS each of the parties hereto will make application to the Lieutenant-Governor of the Province of Ontario subject to the approval of its shareholders for Supplementary Letters Patent cancelling that number of shares registered in the name of William McKee set out in Column (2) of Schedule "A" and cancelling pro rata from the shares remaining the number of shares set out in Column (3) of Schedule "A".

AND WHEREAS it is desirable that the said amalgamation should be effected;

NOW THEREFORE THIS INDENTURE WITNESSETH as follows:

1. In this agreement, the expression "Amalgamated Company" means the company continuing from the amalgamation of the parties hereto;

2. All of the parties hereto do agree to amalgamate under the provisions of Section 96 of The Corporations Act, Ontario, 1953, and to continue as one company under the terms and conditions hereinafter set out.

3. The name of the Amalgamated Company shall be HYDRA EXPLORATIONS LIMITED or such other name as may be approved by a majority of the persons hereinafter designated as directors of the amalgamated company and acceptable to the Deputy Provincial Secretary of Ontario.

4. The objects of the Amalgamated Company shall be as follows:

(a) To acquire, own, lease, prospect for, open, explore, develop, work, improve, maintain and manage mines and mineral lands and deposits, and to dig for, raise, crush, wash, smelt, assay, analyze, reduce, amalgamate, refine, pipe, convey and otherwise treat ores, metals and minerals whether belonging to the company or not, and to render the same merchantable and to sell or otherwise dispose of the same or any part thereof or interest therein; and

(b) To take, acquire and hold as consideration for ores, metals or minerals sold or otherwise disposed of or for goods supplied or for work done by contract or otherwise, shares, debentures or other securities of or in any other company having objects similar, in whole or in part, to those of the company hereby incorporated and to sell and otherwise dispose of the same.

5. The following conditions shall be inserted in the Letters Patent of the Amalgamated Company;

(a) That the Company shall be subject to Part IV of The Corporations Act, Ontario, 1953;

(b) That, except where the shares are listed on a recognized stock exchange, the directors may refuse to permit the registration of a transfer of fully paid shares registered in the name of a shareholder who is indebted to the company;

(c) That it shall not be necessary for a majority of the Board of Directors of the company to constitute a quorum, but that a quorum shall be two-fifths (2/5) of the Board of Directors.

6. The authorized capital of the Amalgamated Company shall be Five million dollars ($5,000,000.00) divided into Five million shares (5,000,000) with a par value of One Dollar ($1.00) each.

7. The issued capital of all of the parties hereto, (after the specific and pro rata cancellations of issued shares as referred to in the recitals hereto and Columns 2 and 3 of Schedule "A"), as set out in Column 4 of Schedule "A" shall be converted into the issued capital share for share of the Amalgamated Company.

8. The unissued but authorized capital of the parties hereto to the extent set out in Column 4 of Schedule "A" shall be converted into the authorized and unissued capital of the Amalgamated Company.

9. The head office of the Amalgamated Company shall be at the City of Toronto in the County of York.

10. The Board of Directors of the Amalgamated Company until otherwise determined by special resolution shall consist of five (5) members, and the first directors of the Amalgamated Company with their names, callings and places of residence shall be the following:

Names	*Callings*	*Residences*
Ashton William Johnston	Geologist	55 Edgehill Road, Toronto, Ontario.

William McKee	Accountant	R.R. No. 1, Streetsville, Ontario.
Leslie Edwin Wetmore	Accountant	1394 Milton Avenue, Port Credit, Ontario.
William O'Shaughnessy	Accountant	200 Ridley Boulevard, Toronto, Ontario.
William Clarke Campbell	Barrister	95 Dunvegan Road, Toronto, Ontario.

The said first Directors shall hold office until the first annual meeting of the Amalgamated Company, or until their successors are elected or appointed. The subsequent directors shall be elected each year thereafter at either a Special General Meeting or the Annual Meeting of the Shareholders by a majority of votes cast at such meeting. The management and working of the Amalgamated Company shall be under the control of the Board of Directors from time to time subject to the provisions of The Corporations Act, Ontario, 1953.

11. All of the parties hereto shall contribute to the Amalgamated Company their entire respective assets subject to their respective liabilities as more particularly set forth in the balance sheets of the parties as of June 30, 1959, subject to such changes as may have taken place since that date in the ordinary course of business.

12. The Amalgamated Company shall possess all the property, rights, privileges and franchises and shall be subject to all the liabilities, contracts, disabilities and debts of the parties hereto.

13. All rights of creditors against the property, rights and assets of the parties hereto and all liens upon their property, rights and assets shall be unimpaired by such amalgamation and all debts, contracts, liabilities and duties of the parties hereto shall thenceforth attach to the Amalgamated Company and may be enforced against it.

14. No action or proceeding by or against the parties hereto shall abate or be affected by such amalgamation, but for all purposes of such action or proceeding such company shall be deemed still to exist or the Amalgamated Company may be substituted in such action or proceeding in the place thereof.

15. The by-laws of Indian Lake shall, so far as applicable, be the by-laws of the Amalgamated Company until repealed, amended, altered or added to.

16. Upon the shareholders of the parties hereto respectively adopting this agreement, such fact shall be certified upon the agreement by the Secretary of each of the parties hereto under their respective corporate seals and the parties hereto by their joint application shall on or before the 30th day of September, 1959 apply to the Lieutenant-Governor of the Province of Ontario, for Letters Patent confirming this agreement.

17. The parties hereto may, by resolution of their respective Board of Directors, assent to any alteration or modification of the amalgamation agreement which the shareholders of the respective companies at meetings called to consider the same, or the Provincial Secretary of Ontario may approve and the expression "Amalgamation Agreement" as used herein shall be read and construed to mean and include this amalgamation agreement as so altered or modified.

18. Each of the parties hereto nominates, constitutes and appoints Ashton William Johnston and William McKee its attorney to execute and on its behalf the application for Letters Patent of Amalgamation

referred to in paragraph 16 of this Agreement and all certificates and all other documents required in connection therewith.

IN WITNESS WHEREOF this Agreement has been duly executed by the parties hereto under their respective corporate seals as witnessed by the signatures of their proper officers in that behalf.

AUBELLE MINES LIMITED
By: A. W. JOHNSTON
Wm. McKEE

AUMAQUE GOLD MINES LIMITED
By: A. W. JOHNSTON
Wm. McKEE

AVILLABONA MINES LIMITED
By: A. W. JOHNSTON
W. G. CHIPP

BONVILLE GOLD MINES LIMITED
By: A. W. JOHNSTON
Wm. McKEE

BRUNHURST MINES LIMITED
By: A. W. JOHNSTON
Wm. McKEE

BRUNSMAN MINES LIMITED
By: A. W. JOHNSTON
Wm. McKEE

COLOMAC YELLOWKNIFE MINES LIMITED
By: A. W. JOHNSTON
Wm. McKEE

GRANDEN GOLD MINE LIMITED
By: A. W. JOHNSTON
L. E. WETMORE

HEVA MINES LIMITED
By: A. W. JOHNSTON
Wm. McKEE

INDIAN LAKE MINES LIMITED
By: A. W. JOHNSTON
Wm. McKEE

PARBEC MINES LIMITED
By: A. W. JOHNSTON
Wm. McKEE

SCHEDULE "A"

	CAPITAL STOCK (1)		ISSUED SHARES CANCELLED (2)		(3)	SHARES CONVERTED TO SHARES OF AMALGAMATED COMPANY (4)		AUTHORIZED AND UNISSUED SHARES CANCELLED (5)
	Authorized	*Issued*	*Specifically*		*Pro Rata*	*Issued*	*Unissued*	
Aubelle	10,000,000	5,533,000	----------	----------	5,311,680	221,320	2,177,465	2,289,535
Aumaque	10,000,000	6,225,000	----------	----------	5,602,500	622,500	----------	3,775,000
Avillabona	7,500,000	3,696,669	Wm. McKee	42,519	3,507,984	146,166	----------	3,803,331
Bonville	6,000,000	5,715,455	Wm. McKee	5	5,486,832	228,618	----------	284,545
Brunhurst	7,500,000	5,718,856	Wm. McKee	6	5,490,096	228,754	----------	1,781,144
Brunsman	7,500,000	3,833,750	----------	----------	3,680,400	153,350	----------	3,666,250
Colomac	7,500,000	3,760,005	Wm. McKee	5	3,609,600	150,400	----------	3,739,995
Granden	3,500,000	1,630,000	Wm. McKee	105,009	1,290,377	234,614	----------	1,870,000
Heva	7,500,000	4,668,233	Wm. McKee	156,508	4,331,256	180,469	----------	2,831,767
Indian Lake	10,000,000	8,175,005	Wm. McKee	8,125	7,758,536	408,344	----------	1,824,995
Parbec	7,500,000	6,200,000	----------	----------	5,952,000	248,000	----------	1,300,000
						2,822,535	2,177,465	

Pro Forma Balance Sheet as at June 30, 1959

HYDRA EXPLORATIONS LIMITED, The Proposed Amalgamated Company, Consisting of the Eleven Companies shown in the accompanying certificate Dated August 19, 1959

After giving effect to the undernoted pro forma transactions:

(1) Conversion of the issued share capital of the eleven amalgamating companies into 2,822,535 shares of Hydra Explorations Limited, the proposed amalgamated company in accordance with the proposed plan of amalgamation.

(2) The writing down of the value of the mining properties and preproduction expenses taken over by applying the capital surplus available after adjusting the capital of the amalgamating companies into 2,822,535 shares of the proposed amalgamated company.

(3) The cancellation of all inter-company holdings and obligations.

ASSETS

Cash		$ 234,887.71
Accounts Receivable from other mining companies (See Note 1)		2,588.51
Advances to other mining companies (See Note 1)		47,612.19
Advance re Participation in shares of a mining company		23,333.00
Investment in shares of other mining companies:		
Listed at quoted market value (see Note 2)	$411,841.60	
Unlisted at quoted market value	5,400.00	
Unlisted written down to	13.00	417,254.60
Investments — other:		
Unlisted, at quoted market value	$ 15,000.00	
Canada House Debentures at cost (Par)	50,000.00	65,000.00

LIABILITIES

Accounts Payable and Accrued Expenses	$ 44,956.66	
Advances from other mining companies	69,593.00	$ 114,549.66
Capital Stock:		
Authorized: 5,000,000 shares of a par value of $1.00 each		
Issued: 2,822,535 shares		2,822,535.00

NOTE 1: The collectibility of accounts receivable from and advances to other mining companies is dependent upon the degree of success attained by the debtors in the development of their property.

NOTE 2: Included in the market value of $411,841.60 is an amount of $167,273.10, being the market value of shares in mining companies which have been lodged with a depositary in exchange for voting trust certificates under the terms of agreements whereby the voting rights of the shares have been transferred to other persons. There is no quoted market value for the voting trust certificates.

Interest in Power Line	9,854.27
Mining claims, rights and interests	485,265.00
Oil Participations	3,278.13
Preproduction Expenditures	1,648,011.25
	$ 2,937,084.66

NOTE 3: One of the eleven amalgamating companies (Parbec Mines Limited) has been advised by the Department of National Revenue that the Department is of the opinion that, in computing taxable income of the company for the 1955 fiscal year, the company might not meet the qualifications entitling it to deduct certain exploration and development expenses incurred in prior years. The criterion is whether the principal business of the company was mining or exploration for minerals. In the opinion of Counsel, the company is entitled to such deduction in that its principal business was mining and exploration for minerals, on the basis of intention, management activity and primary interests, but the onus of proof rests with the company. If the Department were to pursue its contention and the company failed to prove its right to the claim, the additional income tax liability in respect of 1955 would approximate $27,000.00.

$ 2,937,084.66

CERTIFICATE

To the shareholders of:

Aubelle Mines Limited
Aumaque Gold Mines Limited
Avillabona Mines Limited
Bonville Gold Mines Limited
Brunhurst Mines Limited
Brunsman Mines Limited
Colomac Yellowknife Mines Limited
Granden Gold Mine Limited
Heva Mines Limited
Indian Lake Mines Limited
Parbec Mines Limited

In connection with the proposed amalgamation of your eleven companies, I submit herewith a pro forma Balance Sheet of Hydra Explorations Limited, the proposed amalgamated company. This pro forma Balance Sheet has been prepared by applying to the unaudited Balance Sheets of your eleven companies as at June 30, 1959, the pro forma transactions included therein.

In my opinion, the pro forma transactions have been properly applied to the unaudited Balance Sheets but the resulting pro forma Balance Sheet may be considered to constitute a representation of the prospective position of the proposed amalgamated company only in the event the pro forma transactions, as set out therein, are actually consummated.

August 19, 1959
Toronto, Ontario

M. JOHN KERBY,
Chartered Accountant